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ABSTRACT

The Social Security student benefit program was reviewed by the U.S. General Accounting Office to determine if it is an unnecessary burden upon the overall Social Security system, and thus upon taxpayers supporting the system. Various U.S. Office of Education programs were also reviewed to determine if they might provide student aid more equitably than the student benefit program does. The review was conducted primarily at the Social Security Administration and the Office of Education, but financial aid records for a random sample of student benefit recipients at 119 postsecondary institutions in upstate New York and Los Angeles County, California, were also examined. It is concluded that the student benefit program gives many students more money than their school costs warrant, inequitably curtails, or bars altogether, benefits to other students, deprives nonstudents, and contributes to other federal aid programs paying unneeded benefits. The Office of Education is willing to provide aid in a more equitable way to postsecondary students now receiving payments from Social Security. It is recommended that Congress enact an amendment to the Social Security Act to discontinue student benefits for postsecondary students and take the necessary steps to assure the Office of Education will have sufficient financial resources to meet any increased demand arising from such discontinuance. (SW)

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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Social Security Student Benefits For Postsecondary Students Should Be Discontinued

Nine out of ten American workers pay Social Security taxes in the expectation that Social Security will provide some minimum family income in the event of the taxpayer's retirement, disability, or death. That is Social Security's basic purpose.

A marginal program, student benefits, diverts tax money from that basic purpose. During the 1977-78 school year, it diverted $1.5 billion and is expected to divert $2.2 billion in 1979-80. It gives many students more money than their school costs warrant, inequitably curtails--or bars altogether--benefits to other students, deprives nonstudents, and contributes to other Federal aid programs paying unneeded benefits. This is going on while, even after imposition of increased taxes upon Social Security contributors, there is doubt the system can fulfill its basic purpose without still further increases.

The Office of Education is willing to provide, more equitably, aid to most postsecondary students now receiving payments from Social Security. Were student benefits to postsecondary students to be terminated effective fall 1980, the estimated net first-year savings to the Social Security taxpayers would be $1.4 billion, and, the net savings to all taxpayers in that year would be about $1.1 billion.

U S DEPARTMENT OF HEALTH
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HRD-79-108
AUGUST 30, 1979

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-164031(4)

To the President of the Senate and the
Speaker of the House of Representatives

This report summarizes our review of the Social Security student benefit program. The review was part of our continuing evaluation of the Old Age, Survivors, and Disability Insurance program administered by the Social Security Administration. The report discusses problems and inequities with Social Security paying benefits for education when the Office of Education could better meet students' financial needs. We recommend that the Congress enact an amendment to the Social Security Act to discontinue student benefits for postsecondary students and take the necessary steps to assure the Office of Education will have sufficient financial resources to meet any increased demand arising from such discontinuance.

We made our review at the request of the Chairman, Subcommittee on Oversight, House Committee on Ways and Means. At his suggestion, we did not take the additional time to obtain written comments from the Department of Health, Education, and Welfare. This is based on the fact that the Department testified at February 1979 hearings in support of phasing out most of the program and has since proposed legislation to accomplish this.

Because of the broad congressional interest in the overall Social Security program, we are issuing our report to the Congress as a whole. We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Health, Education, and Welfare; the Commissioner of the Social Security Administration; and the Commissioner of Education.

Comptroller General
of the United States

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INTRODUCTION

We recommend that the Congress enact an amendment to the Social Security Act which will discontinue student benefits for postsecondary students and take the necessary steps to assure the Office of Education will have sufficient financial resources to meet any increased demand arising from such discontinuance. (This and other recommendations are in Section Five, page 34.)

Our recommendations arise from findings that indicate:

1. Payments to student beneficiaries are an unnecessary burden on Social Security's trust funds. Students are expected to cost the funds $2.2 billion during fiscal 1980, with estimates of greater costs in the future. The benefits paid have no relationship to cost of education and academic progress. (Section One, page 6.)

2. The student benefit program contributes to other Federal education aid programs paying unneeded benefits. (Section Two, page 19.)

3. Social Security is an inequitable system for dispensing education aid. The system denies candidates who should qualify for aid and gives the lowest levels of aid to candidates who are most in need. (Section Three, page 24.)

4. The Office of Education is willing to provide, more equitably, aid to most persons who are now, or in the future would be eligible for postsecondary student benefits--and to do this at great savings to the trust funds and taxpayers. (Section Four, page 26.)

A BRIEF LOOK AT SOCIAL SECURITY

Created in 1935, Social Security is one of the world's largest insurance programs. Nine out of 10 American workers--more than 110 million people--pay Social Security taxes.

Social Security's basic purpose is to provide some minimum income for the taxpayer and his or her dependents when the taxpayer's earnings are curtailed or stopped due to disability, retirement, or death.

Workers in covered employment pay taxes that go into trust funds. In the system's early years, when contributions exceeded benefit payments, the trust funds' balances grew. Beginning in 1975, contributions no longer kept pace with benefit payments, and the trust funds' balances began to shrink. That year, outgo exceeded income by $1.5 billion. The financial difficulties arose from two sources:

1. Greater demands for money. General inflation and disability insurance expenditures rose faster than expected.

2. Fewer people to supply money. Higher than expected unemployment rates reduced the number of contributors.

In December 1977, the Congress enacted increases in Social Security tax rates and the maximum taxable earnings to remedy existing deficits and postpone future deficits. The tax increases were staggered and, necessarily, significant:

--In 1976, prior to the increases, a worker was taxed at a rate of 5.85 percent on the first $15,300, and could pay up to $895 in Social Security taxes a year.

--At present, a worker is taxed at a rate of 6.13 percent on the first $22,900, and can pay up to $1,404 a year.

--In 1981, a worker will be taxed at the rate of 6.65 percent on the first $29,700 and could pay up to $1,975 a year.

--After 1981, the tax rate will rise until, in 1990, it reaches 7.65 percent, with taxable earnings increasing automatically with increases in earning levels.

Unlike the Federal Income Tax, which taxes higher earnings at higher rates, the Social Security tax requires everyone in covered employment to pay at the same rate up to the set maximum.

The Congress is concerned that, in addition to assuring sufficient money is available to finance benefits, every effort be made to avoid use of this money for endeavors which are wasteful or not essential to Social Security's basic purpose. In February of this year, the Chairman of the Subcommittee on Oversight, House Committee on Ways and Means, noted:

"* * * It is time to reassess the purpose of the Social Security system and to set a course for the future that will meet critical needs within affordable costs. A first step is to review the entire Social Security system to identify the programs that are most needed and prune away those that deliver small marginal benefits at a very large cost or those that depart too dramatically from the basic purpose of the system * * *."

J. W. Van Gorkom, a member of the Advisory Council on Social Security and the previous chairman of its Subcommittee on Finance, said:

"The flaws in the OASDI [Old Age, Survivors, and Disability Insurance] system stem primarily from having forced it to serve more purposes than it can properly handle. This has escalated the costs of the system to the point where the low-paid individual cannot carry his full share of the tax burden. In attempting to lighten his load the system has gradually acquired many of the characteristics of a welfare program, and has moved away from the basic concept on which it should be based.

"During its early years, it is understandable that OASDI was asked to attain extraneous social goals because there were no other systems capable of providing them. That is no longer the case, but now another rationale has been put forth. It is argued that OASDI must continue to serve all these goals because benefits received from OASDI are received as a matter of right, whereas benefits from other systems (SSI, the Supplemental Security Income plan; AFDC, Aid to Families with Dependent Children) can only be obtained via a degrading means test.

"There is a basic error in logic here. Benefits are not received as a matter of right merely because they are received from the OASDI; they are received as a matter of right only when they have been paid for by the beneficiary, at least in substantial part. The fallacy lies in the unconscious tendency to assume that all benefits received from OASDI

have been paid for. Once that may have been true, but today, to reemphasize, some beneficiaries are paying nothing toward their future benefits and many are paying only a very small amount in comparison with the benefits received."*

A BRIEF LOOK AT THE STUDENT BENEFIT PROGRAM

Created in 1965 as part of the legislation that enacted Medicare, Social Security's student benefit program gives children of qualified contributors payments to enable them to finish high school and/or obtain postsecondary education.

To be eligible, a contributor's child must be unmarried, 18 through 21 years of age, and attending full time an eligible institution (including public, nonprofit, and for-profit schools, but excluding correspondence schools).

During the 1977-78 school year, 1,084,000 students received benefits totaling $1.5 billion. Following is an estimated distribution of students by age:

Age	Percent of Students
18	34
19	25
20	21
21	20
Total	100

Following is an estimated distribution of students by type of school attended:

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*This quotation is from an article which appeared in the April 1979 issue of "Across the Board" published by The Conference Board (a public affairs research and publishing organization, formerly known as the National Industrial Conference Board) and has been reproduced with its permission and the author's.

Type of School	Percent of Students Attending
Four-year college	51
High school	21
Two-year college	18
Technical and vocational school	5
Graduate school	3
Business and secretarial school	2
Total	100

Following is an estimated distribution of benefits by type of school students attended:

Type of School	Student Benefits (billions)
High school	$ .283
Postsecondary school (other than graduate)	1.217
Graduate school	.047
Total	$1.547

A BRIEF LOOK AT FEDERAL AID TO STUDENTS

Now and historically, the primary sources of education funding have been the student and/or the student's parents. To supplement these sources, the Federal Government provides a variety of educational funding programs.

During the 1977-78 school year, the Department of Health, Education, and Welfare's (HEW's) Office of Education (OE) provided--through grants, loans, and guarantees on loans--$4.2 billion in aid to about 2.9 million postsecondary students. This aid was provided through six programs which will be discussed later in the report.

In addition to the OE programs, a number of other Federal programs provide educational funding. Chief among them, besides Social Security, is the Veterans Readjustment Benefits program ("GI Bill"), which in fiscal 1977 gave $2.9 billion to 1,426,000 students. Also, the Aid to Families with Dependent Children program provided an estimated $71 million to 171,000 students.

There are other non-OE Federal student benefit programs identical to the Social Security program in principle; that is, eligibility depends on the retirement, disability, or absence of the parent-provider. Some of these are listed below, defined in terms of money spent and students aided in fiscal 1977 as shown in the May 1977 Congressional Budget Office report, "Social Security Benefits for Students":

	Students	Dollars (millions)
1. Veterans' Dependents	166,000+	$55.0+
2. Federal Civil Service	17,000	25.0
3. Railroad Retirement	6,000	22.0
4. Federal Workmen's Compensation	300	.7

PURPOSE AND SCOPE OF REVIEW

We reviewed the student benefit program to see if it is an unnecessary burden upon the overall Social Security system, and thus upon taxpayers supporting the system.

We also reviewed various OE programs to see if they might provide student aid more equitably than the student benefit program does.

We conducted our review mainly at the Social Security Administration and the Office of Education. We also examined financial aid records for a random sample of student benefit recipients at 119 postsecondary institutions in upstate New York and Los Angeles County, California. The scope of review is discussed further in Appendix A, page 36.

Section One

STUDENT BENEFITS UNNECESSARILY BURDEN TRUST FUNDS

In this section, we explain how, given the changes that have occurred, the need for a student benefit program in Social Security no longer exists. Also, we point out how the program's policies and administrative problems burden the agency's trust funds, taxpayers, and some nonstudent beneficiaries.

I. JUSTIFICATIONS FOR STUDENT BENEFIT PROGRAM NO LONGER EXIST

In 1965, creation of the student benefit program seemed entirely appropriate. There was a shortage of Federal education aid programs. Persons through age 21 were commonly viewed as parentally dependent (rather than independent) and thus deserving of aid. Social Security was a large proven aid-distributor, with more money being received than was being paid out. Moreover, it was felt that the Federal Government had a role in supporting efforts by the economically disadvantaged to secure high school and postsecondary education.

The Federal Government still has a role in supporting efforts by the economically disadvantaged to obtain education--but today, the justifications for providing that support through the Social Security student benefit program no longer exist.

1. 1965 shortage of postsecondary education aid programs has been corrected

Following are the six major Office of Education programs, the estimated total dollars provided directly and indirectly, and estimated numbers of student recipients for the 1979-80 school year.

	Dollars (millions)	Students (thousands)
Basic Educational Opportunity Grant	$2,435	2,728
Guaranteed Student Loan	2,250	1,126
National Direct Student Loan	649	914
College Work-Stud	604	990
Supplemental Educational Opportunity Grant	326	573
State Student Incentive Grant	153	307
Total	$6,417	

Note: The number of students should not be totaled because students may receive aid under more than one program.

None of OE's financial assistance programs gives direct aid to high school students. In April 1979, OE told the Subcommittee on Oversight, House Committee on Ways and Means, that, as a general rule, it does not think there is a need to provide aid to high school students age 18 to 22.

In 1965, the year of the student benefit program's enactment, only two of these OE programs were in operation--the National Direct Student Loan program, which for the 1965-66 school year provided $179.3 million to 377,700 postsecondary students, and the College Work-Study program, which for 1966 provided $104.5 million to 275,000 postsecondary students. The OE programs provided a total of $283.8 million in aid to postsecondary students. The new Social Security student benefit program paid about $260 million or, of a total of $543.8 million, 48 percent.

In the 1979-80 school year, the total estimated aid expected to be provided by the OE programs and the student benefit program is $8.6 billion. Though the amount of student benefits has risen dramatically over 15 years, the expected 1979-80 sum of $2.2 billion in Social Security student benefits represents only about 26 percent of the total aid to be provided.

The lack of Federal postsecondary education aid programs, obvious in 1965 and evidenced by the preponderant role played by the new Social Security student benefit program in 1966, no longer exists.

2. 1965 view of "dependent" does not fit today's 18- to 22-year-olds

In 1965, when the student benefit program was created, the House Ways and Means Committee and the Senate Finance Committee reports said:

> "* * * The Committee believes that a child over age 18 who is attending school full time is dependent just as a child under 18 or a disabled older child is dependent, and that it is not realistic to stop such a child's benefit at age 18. A child who cannot look to a father for support (because the father has died, is disabled, or is retired) is at a disadvantage in completing his education as compared with the child who can look to his father for support. Not only may the child be prevented from going to college by loss of parental

support and loss of his benefits; he may even be prevented from finishing high school or going to a vocational school. * * *"

In 1965, for purposes of receiving student benefits, a dependent was viewed as someone deserving of the sort of support a parent would provide were the parent able. This view, applied to persons through age 21, made the term dependent very much like minor--as contrasted with adult.

In the mid-1960s, Federal and State laws generally agreed that for such actions as making contracts, and voting, a person under age 21 was not an adult. Today, those laws are in general agreement that an 18-year-old is an adult, with the legal rights to make contracts, and vote.

Social Security itself has been moving toward treating 18-year-olds less like dependents and more like independents, or adults. Seven years after the student benefit program began, Social Security began sending the student a separate check--instead of including these benefits as part of the family's check as had been done in the past. The reasoning:

"* * * any individual who is at least 18 is an adult and has a right to receive and manage his own benefits, * * *. The right to receive their own benefits is considered to be a basic right of all adults and cannot be taken away from them unless they are incompetent to manage those benefits. * * *"

In 1979, elaborating on this view, in a budget justification statement for fiscal 1980, Social Security said:

"* * * once a child completes his secondary education and attains the legal age of majority--increasingly regarded as 18, rather than 21, as reflected in the change in the voting-age requirement--the person should be regarded as an adult, financially and otherwise responsible for himself, and that such a presumption of 'dependency' is not valid. * * *"

Despite these sentiments, Social Security must, by law, grant a student benefits based on his or her status as a dependent. This requirement leads to some odd situations.

In our review, we estimated that 233,160 student benefit recipients were eligible for Basic Educational Opportunity Grants (Basic Grants). Of these, 24,600 (about 10.6 percent) were simultaneously receiving benefits from Social Security on the basis of dependency and eligible for Basic Grants from OE on the basis of independency.

The effects of this dependency concept can produce equally odd effects within a family. The 18-year-old son of a Social Security recipient may elect to attend school full time, live with his parents, and receive a student benefit for being classified as a dependent. The boy's twin, who also lives with his parents and chooses to work part time and attend school part time, receives nothing from Social Security--for being an independent.

In short, for the 18- through 21-year-old child of a Social Security recipient, becoming a beneficiary is not a condition beyond control but rather an option to be exercised or rejected. This beneficiary-by-choice option supports the argument that the student benefit program violates the social insurance concept--a sharing of risks over which individual beneficiaries have little or no control. That concept, opponents of student benefits say, is not one that would normally be applied to conduct that is within the individual's control and actually perceived as desirable. An example: choosing to attend school full time after one's 18th birthday.

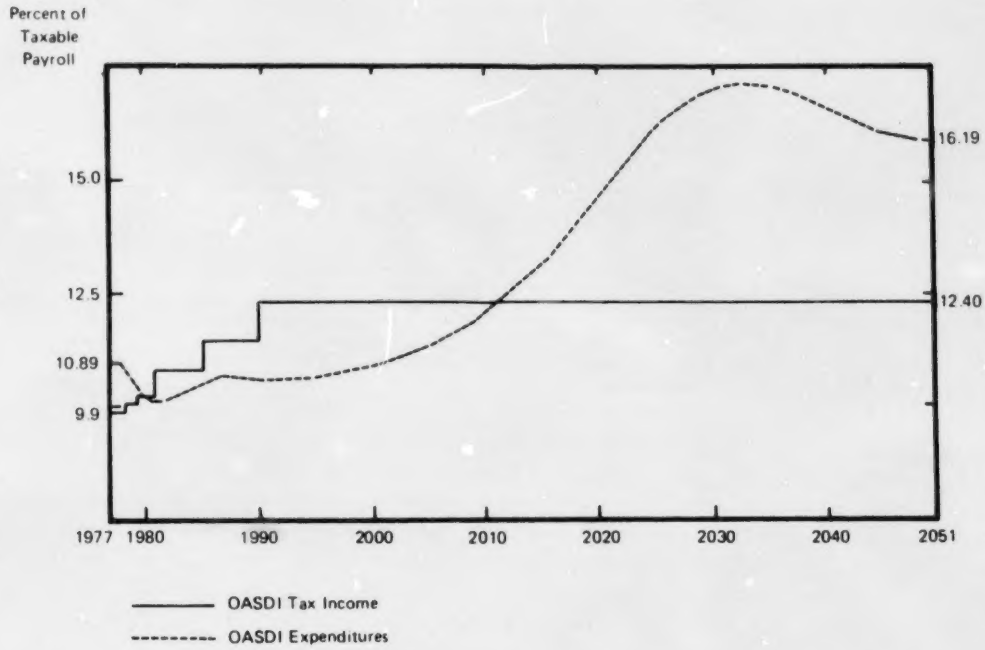
3. Trust funds lack the financial resources available to them in 1965

In 1965, the cost of paying benefits to one beneficiary was shared among four contributors--none of whom had to pay more than $174 in Social Security taxes a year.

Today the cost of paying benefits to one beneficiary must be borne by only three contributors--each of whom may have to pay as much as $1,404 in Social Security taxes a year.

After the turn of the century, the cost of paying benefits to one beneficiary is expected to be borne by just two contributors. And, as early as 1981, contributors will be required to pay as much as $1,975 in Social Security taxes a year. This expected cost takes into account the tax increases the Congress authorized in 1977 to remedy the obvious income shortfall to the trust funds. That remedy may not prove sufficient. Consider the following chart.

PROJECTED OLD AGE, SURVIVORS, AND DISABILITY INSURANCE (OASDI) TRUST FUNDS EXPENDITURES AND LEGISLATED TAX INCOME CALENDAR YEARS 1977 – 2051



NOTE: This chart is from an article written by the Social Security Chief Actuary and published in the March 1978 "Social Security Bulletin."

There is no sign that the pressures which produced the funds' income shortages of the mid-1970s--greater demands for money and fewer people to supply it--will abate soon or significantly.

If the student benefit program is viewed as one of the programs that the House Oversight Subcommittee Chairman said

"* * * deliver small marginal benefits at a very large cost or those that depart too dramatically from the basic purpose of the system * * *," it becomes one of the more significant pressures.

The program has grown steadily--in terms of numbers of students and benefits paid--as the following chart illustrates.

Month of December	Students	Monthly Benefits (millions)
1965	205,677	$ 13.725
1968	474,056	34.243
1969	498,015	36.027
1972	634,481	69.616
1975	774,261	104.561
1978	817,506	139.994

This growth is evidenced by a near doubling in number of students and a more than quadrupling in benefits received between 1968 and 1978. As more people began to retire--and to retire earlier--and as more people qualified for disability, their entrance into the system triggered an influx of people into the student benefit program, because a significant number of these retired and disabled workers had children who wanted to get high school and postsecondary educations.

For instance, in 1965 only 8 percent of the persons in the student benefit program were classified as dependents of disabled workers--compared to 20.6 percent in 1978. Likewise, in 1965, 16.6 percent of the students were classified as dependents of retired workers--compared to 18.6 percent in 1978.

We cannot estimate how many workers retire early to get student benefits for their children. However, in December of 1965, of 11,100,584 retired workers, 3,519,168 (or 31.7 percent) were early retirees who we estimate had 10,800 student beneficiaries. In December of 1978, of 18,357,985 retired workers, 11,137,920 (or 60.7 percent) were early retirees who we estimate had 92,200 student beneficiaries. We believe that it is more likely that early retirees had more student beneficiaries than did older retirees; however,

data were not readily available to substantiate this. Therefore, our estimates are probably low because we assumed that early retirees had the same number of student beneficiaries as older retirees. Appendices B and C detailing these growth rates are on pages 37 and 38.

This growing pressure on the student benefit program, and thus upon the trust funds, becomes meaningful when one compares the dollar shortfalls expected of the trust funds with the costs of the student benefit program. In 1977, the funds' trustees estimated that, without the tax increases, the funds in 1980 would suffer deficits of $8.1 billion. In fiscal 1980, the student benefit program is expected to cost the trust funds $2.2 billion, 27 percent of the projected shortfall, which would have occurred had taxes not been raised.

We calculate, using Social Security estimates, that--if the program grows as expected--student benefits in 1985 will be costing the trust funds $2.5 billion a year.

Conditions today are remarkably different from 1965.

II. PROGRAM POLICIES BURDEN TRUST FUNDS AND NONSTUDENT BENEFICIARIES

Student benefits are provided on the same basis as other Social Security benefits--not on the basis of financial need. This leads to situations that impose additional burdens upon the trust funds, and upon nonstudent beneficiaries.

1. Benefits are paid where no school costs are reported

The following chart is taken from Social Security's survey of student beneficiaries in the 1972-73 school year (the latest such data available). It illustrates by type of school attended the relationship of student benefits to reported school costs on an annual basis.

Students	Total	High School	College	Noncollege Postsecondary
Number (in thousands)	588	126	420	42
Percent in public	75	95	71	54
Percent in private	25	5	29	46
Total	100	100	100	100
Percent with no cost	11	41	3	4
Percent with cost	89	59	97	96
Total	100	100	100	100
Median annual cost	-	$170	$1,810	$1,220
Median annual student benefit	-	$1,176	$1,416	$1,476

Notes: 1. Cost includes tuition, fees, books, room, board, and transportation as reported by the students.

2. Median annual student benefit shown represents median December 1972 benefits multiplied by 12.

The chart shows that 41 percent of the high school students, 3 percent of the college students, and 4 percent of the noncollege postsecondary students had no reported school costs.

Further, the chart shows 11 percent of all students were paid for schooling that reportedly cost them nothing. This means that 65,900 students in 1972-73 were paid $81 million not for school costs but simply for going to school.

It is unlikely, however, that the data accurately represent school-related costs for high school students.

Presumably, many college students live away from home and there is reason to believe they have an accurate view of the actual costs of room, board, and transportation. High school students, who are--and have been all along--living at home, presumably would have a less accurate view of the above-mentioned school-related costs. It is this less-than-accurate view of the true costs of room, board, and transportation that we think led to the reported median of $170 a year.

Postsecondary students, we find, continue to receive student benefits in excess of reported school costs. Data from the College Scholarship Service of the College Entrance Examination Board show that, in the 1976-77 school year, the average nontuition costs at public 2-year institutions ranged from $1,836 to $2,335. The following examples, taken from a random sample of students in Los Angeles County, show student benefits received by persons attending 2-year public schools in fiscal 1977.

Student	Tuition Charged	Student Benefit Received
1	None	$2,376
2	None	1,963
3	None	2,417
4	None	2,563
5	None	3,289

For the sample, we did not attempt to measure such education-related costs as transportation and living expenses. But, with no tuition costs, all five students were getting from Social Security more than the lowest average nontuition cost, and four of the five were getting more than the highest.

2. Where school costs are incurred, benefits are paid in excess of costs

Normally, Social Security does not determine school costs for its students, because student benefits are not based on school costs. OE's Basic Grant program, however, does.

To determine how many student beneficiaries might be receiving excess benefits--and in what amounts--we compared a list of student beneficiaries receiving benefits against a list of Basic Grant recipients for school year 1976-77. We found 218,253 students getting benefits from both programs. We then subtracted school costs (including tuition, room and

board, fees, and miscellaneous expenses as reported by the schools) from the Social Security student benefit. For student beneficiaries not receiving Basic Grants, we were unable to make a comparison and computation since cost data were not readily available. These students might be receiving just what they need to attend school--or more--or less.

Of the 218,253 students, 40,435--18.5 percent--were receiving more money from Social Security alone than was required to meet total costs of schooling. Excess benefits ranged, as the following chart illustrates, from less than $100 to more than $2,200.

Excess Benefit Range	Number of Social Security Students
$ 1 to 100	5,364
101 to 300	9,812
301 to 600	11,834
601 to 1,000	9,494
1,001 to 1,400	3,300
1,401 to 1,800	570
1,801 to 2,200	55
More than 2,200	6
Total	40,435

Examples:

Student	School Cost	Social Security Benefit	Excess Benefit
1	$2,425	$2,567	$ 142
2	2,579	2,915	336
3	2,350	3,072	722
4	1,500	3,091	1,591
5	1,910	3,131	1,221

It is important to point out that OE generally expects the student and/or the parents to contribute to the student's education costs. Our calculations do not include any contribution by the student and/or the student's parents. If the expected contributions are included, the number of students receiving excess benefits would rise.

3. Benefits are paid regardless of academic progress

The trust funds pay benefits to students attending school presumably to learn and/or develop talents that will assist them in the pursuit of a career and the earning of a living. Obviously, not all students are equally gifted or motivated; some will register more academic progress than others.

The recipient of student benefits is not required to demonstrate to Social Security even minimal measurable progress to receive benefits. However, OE financial aid programs require that students make satisfactory academic progress to continue to receive such aid. Student beneficiaries who receive OE aid, therefore, are subject to these progress requirements.

How the Social Security policy burdens the trust funds is evident in the case of a student we identified in our Los Angeles County sample. From December 1975 through December 1976, the student received $1,600 in Social Security benefits. During that period, the student scheduled 30 credit hours--and failed to satisfactorily complete any of them.

Because Social Security has no academic progress requirement, we were unable to gather grade data to estimate what nonprogressing student beneficiaries might be costing the trust funds. However, data from the National Center for Education Statistics show that 6 percent of the total student population withdraws from school for academic reasons.* If the behavior of students receiving benefits from Social Security is similar to that of other students, it is likely the trust funds are paying students who are not making reasonable academic progress.

4. Student benefits reduce benefits of nonstudent beneficiaries

The amount a contributor to Social Security has earned and the size of that contributor's family affect the total amount of benefits for which the family qualifies. But, regardless of how much the contributor has earned and regardless of how many dependents there are in the contributor's family, there is a maximum limit on the amount of benefits that family can receive. An example:

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*Data from the National Longitudinal Study of a sample of 9,775 college students enrolled by the fall of 1973.

In a family of four persons qualified for a maximum benefit of $300 a month, $75 is allocated to the mother and each of three children. One of the children reaches age 18. If the 18-year-old chooses--by marrying or by not attending a qualified school full time--to relinquish beneficiary status, the $300 benefit will go entirely to the mother and the two younger children, allocated $100 for each. If the 18-year-old chooses--by remaining unmarried and attending a qualified school full time--to stay a beneficiary, all members of the family will continue to receive $75 each.

If the student benefit program did not exist, about $440 million a year now paid to students would go to non-student beneficiaries--at no additional cost to the trust funds.

III. PROGRAM'S ADMINISTRATIVE PROBLEMS BURDEN TRUST FUNDS

To be eligible for benefits, a student must be unmarried and attend school full time. Social Security requires students to submit an end-of-school-year report on attendance. In the interim, it is the student's responsibility to report any changes.

We randomly sampled students in Los Angeles County and upstate New York to verify attendance and evaluate the reliability of student reporting. From this sample we estimate that, in the two areas, $14.8 million was erroneously paid in fiscal 1977 to students not attending full time. Further, we found that most students do not report interim changes and many students submit incorrect end-of-school-year reports.

For example, a student reported in March 1976 on his attendance report that he would be a full-time student from August 1976 through May 1977. The student withdrew from school in December 1976, but neither reported his withdrawal nor returned the end-of-school-year report sent in February 1977. Because Social Security continued paying $152 a month through May 1977, the student received $760 in benefits for which he was ineligible.

In response to our findings, Social Security made a study on costs of and reasons for student overpayments. It indicates student overpayments cost the trust funds $150 million a year. Also, Social Security has revised its student reporting form to require school verification of full-time attendance and has obtained other verifying data from OE on students getting Social Security benefits.

Duplicate payments are another administrative problem. Reviewing all May 1977 student benefit payments, we found 230 student beneficiaries who received two benefit payments. We examined their complete benefit payment records. Through June of 1978, these students had received, by conservative estimate, duplicate payments totaling $616,000.

Finally, the difficulty Social Security experiences in recovering overpayments to students further deprives the trust funds. Money that should be recovered and paid to other beneficiaries--and earn interest in the interim--is not available to the trust funds, and other taxpayer money must be used.

For example, a 22-year-old working student was overpaid $1,973. In September 1976, he signed an agreement to repay $54.80 per month for 36 months beginning in October 1976. Eight payments were received, the last in September 1977. Reminder notices were sent in October and November 1977 and March 1978, with no response. In May 1978, another letter was sent and the overpaid individual telephoned the district office to say he would resume payments. During the 8 months, no one from Social Security attempted to contact the student personally.

Section Two

STUDENT BENEFIT PROGRAM CONTRIBUTES TO OTHER FEDERAL AID PROGRAMS PAYING UNNEEDED BENEFITS

In Section One, we pointed out how the student benefit program unnecessarily burdens the trust funds and some non-student beneficiaries. In this section, we show how the program contributes to waste of other Federal aid dollars, the potential for additional waste, and the expense other Federal programs incur attempting to curb waste.

I. SOCIAL SECURITY/BASIC GRANT RECIPIENTS GET AID IN EXCESS OF SCHOOL COSTS

In the 1976-77 school year, of 800,703 nongraduate post-secondary Social Security student beneficiaries, 218,253 were also scheduled to receive Office of Education Basic Educational Opportunity Grants.

As reported by the schools attended, costs (including tuition, fees, room and board, and miscellaneous expenses) per student for the school year ranged from under $1,300

to more than $6,200. The following chart shows distribution of these students on a percentage basis by cost range.

Estimated Cost Range	Percent Student Beneficiaries
Less than $1,301	.4
$1,301 to 2,000	38.4
2,001 to 2,700	35.8
2,701 to 3,400	10.1
3,401 to 4,800	12.0
4,801 to 6,200	2.8
More than 6,200	.5
Total	100.0

Subtracting reported school costs from the total aid received from Social Security and Basic Grants, we found that of the 218,253 students, 101,793--46.6 percent--were getting more in student benefits and Basic Grants than their school costs warranted. Nearly 31,800 students received more than $1,000 above their school costs. The following chart illustrates this.

Excess Benefit Range	Number of Social Security Students
$ 1 to 100	8,049
101 to 300	15,853
301 to 600	22,254
601 to 1,000	23,874
1,001 to 1,400	16,444
1,401 to 1,800	10,883
1,801 to 2,200	3,687
More than 2,200	749
Total	101,793

Examples:

Student	Social Security Benefits	Basic Grant	Total Benefits	School Cost	Excess Benefits
1	$2,735	$1,288	$4,023	$2,556	$1,467
2	3,101	976	4,077	2,070	2,007
3	3,011	1,376	4,387	3,070	1,317
4	2,050	1,238	3,288	2,460	828
5	2,839	1,176	4,015	3,795	220

Our calculations do not include any contribution by the student and/or the student's parents, as expected by OE. If the expected contributions are included, the number of students receiving excess benefits would rise.

Student beneficiaries can receive more benefits than their total cost of education principally because:

1. Student benefits are not related to school costs. (Payments are not restricted to school months, but continue all year.)

2. OE expects a family to contribute only a portion of its income to pay educational costs. Since student benefits are considered family income (both by Social Security and OE), OE estimates that, in determining the family contribution, it disregards 95 percent of the benefit.

About 85 percent of student beneficiaries are attending schools where their costs never exceeded $3,400. This raises the question:

--Are these students attending lower cost schools more than do most students? If they are, obviously, excess benefits are likely to occur.

Our analysis showed the 218,253 students attended 3,856 schools. The 100 schools most frequently attended had average costs ranging from $1,508 to $4,629 and 92 of them were publicly controlled. Nevertheless, some students attended schools where costs averaged up to $7,275. (For details of student school costs and benefits, see Appendix D, pages 39, 40, and 41.)

II. SOCIAL SECURITY/BASIC GRANT/VETERANS ADMINISTRATION RECIPIENTS GET AID IN EXCESS OF SCHOOL COSTS

For the 1976-77 school year, we compared students getting Social Security benefits and Basic Grants with 62,273 students getting aid from the Veterans Administration (VA) as 18- to 22-year-old dependents. We found 4,600 students receiving aid from all three sources.

Of these students, 4,079--88.6 percent--received more aid than their school costs warranted. Of the 4,079, about 85 percent--3,484--were receiving more than $1,000 in excess benefits a year. The following chart shows the distribution of these students by excess benefit range.

Excess Benefit Range	Number of Social Security Students
$ 1 to 500	255
501 to 1,000	340
1,001 to 2,000	896
2,001 to 3,000	1,341
3,001 to 4,000	960
4,001 to 5,000	263
More than 5,000	24
Total	4,079

Examples:

Student	Social Security Benefit	Basic Grant	VA Benefit	Total Benefits	School Cost	Excess Benefit
1	$3,052	$ 726	$2,663	$6,441	$3,357	$3,084
2	2,462	1,400	2,309	6,171	3,528	2,643
3	438	976	2,821	4,235	4,162	73
4	1,219	776	2,426	4,421	2,990	1,431
5	2,081	1,012	3,438	6,531	2,026	4,505

Our calculations do not include any contribution by the student and/or the student's parents, as expected by OE. If the expected contributions are included, the number of students receiving excess benefits would rise.

III. OPPORTUNITY FOR STUDENTS TO RECEIVE EXCESS AID FROM OTHER PROGRAMS SEEMS LARGE

A lack of centralized data on other aid programs limited our efforts to determine whether student beneficiaries were receiving excess aid from other Federal programs. For instance, student beneficiaries who also get VA aid but do not get aid from the Basic Grant program (the only readily available central source of school costs) might be receiving just what they need to attend school--or more--or less. Without engaging in a rather substantial effort, we do not know.

We do, however, have evidence that participation by student beneficiaries in other Federal aid programs is extensive. Our findings show:

1. A survey of first-time, full-time freshmen in colleges and universities in the fall of 1976 showed that, on a percentage basis, significantly

more Social Security students received aid from OE programs than did other students. This survey, done for OE, showed the higher participation by student beneficiaries held for every OE program, and that the amount of funds received from each program was, on a percentage basis, higher for student beneficiaries than for other students. (Details of that survey are given in Appendix E, page 42.)

2. We examined school files for 466 randomly selected student beneficiaries at postsecondary schools in Los Angeles County, California, and upstate New York. Each file contained a record of aid from all sources--Federal, State, and private--known to the financial aid officer at the student's school. We found that 234 of these students were getting aid from Social Security only. The other students were receiving aid from Social Security and at least one other source. Some were getting aid from five or more sources. (Details are included in Appendix F, page 43.)

A high degree of participation in other Federal aid programs does not mean student beneficiaries do receive excess aid. But it is important to note that, where we did check for student beneficiaries receiving aid in excess of warranted schooling costs, we found it in large measure. The potential for excesses from other Federal aid dollars is large.

This is recognized. In July 1978, the Secretary of HEW testified that large numbers of Basic Grant applicants in school year 1977-78 may have wrongfully failed to report they were getting Social Security benefits. To curtail excess payments that arise from insufficient reporting, OE has begun to use a new computer procedure to match Basic Grant applicants against Social Security students (whose records currently total about 1.3 million). We tested the procedure on a sample of Social Security recipients of Basic Grants in the 1977-78 school year, when we estimate OE paid an excess of $23.8 million to Social Security applicants.

The procedure did detect student beneficiaries receiving excess grants which accounted for about two-thirds or $15.6 million of the excess. It would do so in the future. It did not detect such nonstudent beneficiaries, as 17-year-olds and disabled workers, nor could it in the future unless OE matched against a larger number of Social Security recipient records.

OE officials said that matching applicants against nonstudent beneficiaries (which account for more than 30 million Social Security records) would unduly delay award of grant eligibility. We suggested a two-step alternative:

1. Before determining eligibility, match applicant records not only against the records of student beneficiaries but also against the records of nonstudent beneficiaries (now estimated to be 500,000) in the 17- to 22-year-old age range.

2. After determining eligibility, send Social Security a list of eligibles to be matched against the records of all Social Security beneficiaries--and have the matches produced by this procedure sent to OE for a final verification of benefit amounts to avoid excess grants.

(The first step would have detected $5.8 million of the $8.2 million that the procedure failed to detect in the 1977-78 test; the second step would have detected the remaining $2.4 million.)

Section Three

SOCIAL SECURITY IS AN INEQUITABLE SYSTEM FOR DISPENSING EDUCATION AID

In Section One, we showed the adverse effects of student benefits upon Social Security's trust funds, contributors to the funds, and some recipients of the funds. Section Two detailed the program's adverse effects upon other Federal programs, and thus upon all taxpayers. In this section, we point out how inequitably the program provides education aid.

This inequity arises because the program is treated as something other than what it really is. Though Department of Health, Education, and Welfare officials point out that the Congress did not intend the program to be aid to someone seeking an education, it <u>is</u> aid to someone seeking an education. Consider:

1. This benefit is available only to students who are classified as dependents of Social Security beneficiaries and is paid directly to the students.

2. Persons who would qualify for the benefit have an option at age 18 of becoming beneficiaries by attending school.

3. The only way these persons may exercise the option is by being unmarried full-time students.

But by law, Social Security must treat this education aid as a family benefit. Therefore it must follow certain requirements that prevent equitable distribution of this aid.

I. SYSTEM DENIES CANDIDATES WHO SHOULD QUALIFY FOR AID

The Bureau of the Census estimates that in October 1976, 22.6 percent of the Nation's college students were married. However, only unmarried persons qualify for Social Security student benefits, because Social Security considers marriage a termination of parental dependency. Therefore, the married person--no matter how great his or her desire for education--does not qualify.

The National Center for Education Statistics estimates that in the fall of 1979, 42 percent of the Nation's college students will be attending school part time. However, only persons attending school full time qualify for Social Security student benefits. The person who goes to school part time and works--even if that work is being done to help defray costs of education--does not qualify.

We have no data to indicate how many otherwise-qualified children of contributors these requirements preclude from receiving benefits. But, if these children are not remarkably different from the national college student population, the number must be significant.

II. SYSTEM GIVES LOWEST LEVELS OF AID TO CANDIDATES WHO NEED HIGHEST

How much money a contributor and/or his or her family receives from Social Security depends in part upon how much the contributor put into the system. A low contributor has put less into the system than has a high contributor--and thus the family receives less money. This means the student from the poorer family will get less aid for education than will the student from the richer family. The student's level of need is not taken into account.

Likewise, students from larger families generally get less aid for education than do students from smaller families. More persons splitting the family benefit means less money per person. Normally it would be reasonable to expect that--all other things being equal--the dependents in a larger family would demonstrate a greater level of need.

Membership in a large family and/or a family whose Social Security contributions have been low can have striking effects. Of student beneficiaries receiving benefits for the 12-month period that ended June 30, 1977, we found 1,860 got individual payments exceeding $3,500. And, 800 received, for the same purpose--attending school full time--less than $100 apiece.

Again, the student's level of need is not taken into account.

The Office of Education--single largest Federal dispenser of direct aid to students--generally makes its decisions on whether or not to provide aid, and how much aid to provide, on two factors:

1. Any assistance the student and/or the student's parents could reasonably be expected to give.

2. The costs the student would incur in going to a specific school.

Social Security, geared to distribution of family benefits, does not and currently cannot take into account these need factors, and is thus an inequitable system for dispensing education aid.

Section Four

THE OFFICE OF EDUCATION COULD PROVIDE, MORE EQUITABLY, AID TO MOST POSTSECONDARY STUDENTS AT GREAT SAVINGS TO TRUST FUNDS AND TAXPAYERS

In the previous section, viewing student benefits as aid to education, we noted certain inequities that exist because the program is not needs-based.

In this section, we shall discuss, along with savings that would be experienced by the trust funds and other Federal agencies, what would happen to student beneficiaries if

the program were discontinued. High school students would have no alternate Federal source of aid to meet school costs. Postsecondary students would have to look for education aid to the Office of Education where five of the six programs are needs-based.

Some former student beneficiaries would undoubtedly receive less support from OE than they would have gotten from Social Security. However, the Federal Government's role in providing educational assistance through OE is--and has been--to provide supplemental assistance, always viewing, to the extent considered possible, the student and the student's parents as the primary sources of school financing.

I. MOST POSTSECONDARY STUDENT BENEFICIARIES WOULD QUALIFY FOR OE AID

> "We believe that the combination of available resources through the Office of Education's programs will provide the necessary assistance for students, who are affected by the phase out of social security student benefits, to obtain their postsecondary education."
>
> --Office of Education testimony before the Oversight Subcommittee of the House Ways and Means Committee, February 8, 1979

1. The majority of postsecondary student beneficiaries would qualify for Basic Grants and other forms of needs-based aid

The Basic Educational Opportunity Grant program, as cornerstone of OE's needs-based student aid programs, awards grants up to half an applicant's schooling costs, but not to exceed $1,800. In fiscal 1978, according to a Congressional Budget Office estimate, 100 percent of the $2.1 billion dispersed in Basic Grants went to students whose families had incomes of less than $25,000 a year.

Of 1,084,000 student beneficiaries in the 1977-78 school year, 79 percent were postsecondary students eligible to apply for OE assistance.

The following chart shows a Bureau of the Census survey of the distribution of student beneficiaries by parental income range.

Parental Income Range (1977 Dollars)	Percent of Student Beneficiaries
Less than $4,000	17.4
$ 4,000 to 7,499	22.7
7,500 to 9,999	12.7
10,000 to 14,999	18.6
15,000 to 24,999	18.1
25,000 to 29,999	4.1
30,000 to 39,999	3.1
40,000 and over	3.3
Total	100.0

Using these data as indicators, 90 percent of all student beneficiaries would--by reason of their families' below-$25,000 annual incomes--be eligible for Basic Grants. Consequently, parental income would not preclude most student beneficiaries from receiving a Basic Grant. However, parental income is not the only eligibility factor. Some students would be ineligible for Basic Grants because their own incomes are too high, or because their assets or the assets of their parents are too high. OE estimates that if all eligibility factors were considered, about 7 out of 10 student beneficiaries could receive a Basic Grant. Reasons Social Security student beneficiaries were ineligible are shown in Appendix G, page 44.

As supplements to Basic Grants--and alternatives for candidates who do not qualify for Basic Grants--OE has the following programs:

1. Supplemental Educational Opportunity Grant program, which in fiscal 1978 provided 100 percent of its funding of $270 million to students whose families had incomes of under $25,000 a year.

2. National Direct Student Loan program, which in fiscal 1978 provided 95 percent of its funding of $326 million to students whose families had incomes of under $25,000 a year.

3. College Work-Study program, which in fiscal 1978 provided 98 percent of its funding of $435 million to students whose families had incomes of under $25,000 a year.

Because these programs have eligibility requirements quite similar to those of the Basic Grant program, we estimate that many postsecondary student beneficiaries would be eligible for aid from one or more of these programs. (For program descriptions and eligibility requirements, see Appendix H, pages 45 and 46.)

(Note: Another OE needs-based aid program is the State Student Incentive Grant program, which in fiscal year 1978 had an appropriation of $64 million. Because the States disburse the money and provide matching funds, we could not readily determine what percentage of current student beneficiaries might qualify.)

2. All postsecondary student beneficiaries would qualify for the Guaranteed Student Loan program

The Guaranteed Student Loan program--which allows undergraduates to borrow up to $2,500 and graduate students to borrow up to $5,000 a year (not to exceed a total of $7,500 and $15,000, respectively)--is not needs-based. This program, which assures banks and other lenders that their loans to students will be fully repaid, is--and has been--open to all postsecondary students.

Guaranteed Student Loan data show an estimated 1 million loans were made during school year 1976-77. Our examination of 307,449 Guaranteed Student Loan records provided by OE showed that 30,600 participants (or 1 out of every 10) were Social Security students. About 10,700 of them had been ineligible to receive Basic Grants.

Student beneficiaries are already aware of and have received aid from the needs-based and the non-needs-based OE programs. Their involvement--greater on a percentage basis than that of other postsecondary students--is shown in Appendix E, page 42.

In short, most student beneficiaries would qualify for aid under OE needs-based programs, all would qualify for Guaranteed Student Loans--and, there is already great knowledge of and participation in these programs.

II. DATA TO ESTIMATE EFFECTS OF DISCONTINUANCE ON HIGH SCHOOL STUDENTS ARE INCONCLUSIVE

Of 1.1 million student beneficiaries for the December 1977 through November 1978 period, we estimate 240,000 (or 21 percent) were high school students aged 18 or older.

Because OE has no aid programs for high school students,* the question arises:

> If student benefits were discontinued, how would high school students who had been receiving school aid in the form of Social Security benefits be affected?

Of the high school students, 228,000 (or 95 percent) were attending public schools, for which there were only minimal costs--or no costs. Based on the 1972-73 survey of school costs (latest data available on the national student population), 41 percent of the high school students reported no costs. The 59 percent who did report costs showed a median annual cost of $170. The median annual student benefit for these persons was $1,176, or about seven times the reported costs.

Five percent, or 12,000 students, were attending nonpublic high schools. In 1976, nearly 9 out of every 10 students in nonpublic high schools were, according to the National Center for Education Statistics, in religiously affiliated institutions. Bureau of the Census October 1978 data show that the median annual tuition and fees paid by nonpublic high school students was $901. During calendar year 1978, Social Security paid students an average of $1,967, or $1,066 above these school costs.

As noted on page 14, however, we do not believe the data reported by high school students that portray a median cost of education as $170 a year were based on an accurate understanding of real costs of room, board, and transportation. Thus, we lack reliable evidence to show these students do not need student benefits.

III. DISCONTINUANCE WOULD ALLOW TRUST FUNDS AND TAXPAYERS GREAT SAVINGS

Discontinuance of student benefits for postsecondary students could be accomplished in various ways. Following are two ways to terminate the benefits with estimated dollar effects.

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*The Aid to Families with Dependent Children program (not administered by OE) does provide aid to high school students. The 1978 State program plans show 41 States provide such student aid.

1. Termination of benefits, effective fall 1980:

	Billions
Trust Funds First-Year Savings	$1.390
Increased Cost to Basic Grant Program	-.288
Net First-Year Savings to Taxpayers	$1.102

2. Termination of benefits through phase out: (Benefits would not be payable to students in postsecondary schools if they reach age 18 after August 1980 or if they were not getting student benefits before September 1980.)

	Fiscal Year				
	1981	1982	1983	1984	1985
	(billions)				
Trust Funds Savings	$.161	$.627	$1.072	$1.391	$1.583
Increased Cost to Basic Grant Program	-.097	-.170	-.211	-.245	-.230
Net Savings to Taxpayer	$.064	$.457	$.861	$1.146	$1.353

Trust funds savings are based on Social Security data. The increased cost to the Basic Grant program is based on Office of Education estimates which indicate a need for paying: former student beneficiaries who have not been receiving Basic Grants, and, former student beneficiaries who have been receiving Basic Grants, but, because of discontinuance, would qualify for more Basic Grant money.

Section Five

CONCLUSIONS, RECOMMENDATIONS, AGENCY POSITION, AND GAO REPLY

I. CONCLUSIONS

The Federal Government has an interest in assisting people to learn so that they may earn a good living.

It also has an interest in assisting people to prepare for times when loss of earnings works hardship upon former earners and their families.

The first interest--education--seeks to develop human resources. It is the primary concern of the Office of Education.

The second interest--insurance--seeks to secure human resources. It is the primary concern of the Social Security Administration.

Neither interest should stand in opposition to the other. But, as linked in Social Security's student benefit program, they do. And the effects are great waste and inequity.

In school year 1977-78, student benefits cost the trust funds, and thus contributors to the trust funds, $1.5 billion. That figure included payments made in excess of reported school costs, payments made where no school costs were reported, payments made without regard to academic progress--or its lack, duplicate payments, and payments made to ineligible persons. Using Social Security estimates, we calculate that by 1985 student benefits will be costing the trust funds $2.5 billion a year.

The student benefit program contributes to waste of dollars from other Federal programs in the form of excess payments and efforts made to detect and prevent excess payments. (One example is evident in the Basic Grant program, where a better verification procedure could have saved $8.2 million in 1 year.) This waste is at the expense of all taxpayers. Also, other Federal programs are vulnerable to--and may now be experiencing--further waste of the same kind.

The student benefit program works inequities upon nonstudent beneficiaries--those persons, young and old--for whom Federal assistance in obtaining some minimum standard of food, shelter, and health care is supposed to be Social Security's basic purpose. If student benefits were discontinued, Social Security estimates that an additional $440 million a year would go to nonstudent beneficiaries--at no additional cost to the trust funds.

From the standpoint of a just dispensation of Federal education aid, the student benefit program works inequities upon the children of many qualified contributors. Some receive less money than would appear just under a needs-based evaluation, because they come from larger or poorer families.

Others, because they choose to marry or attend school part time, get no money whatsoever.

These conditions are ongoing in a time when Social Security shows no significant surpluses, when there are fewer contributors to bear the costs of each beneficiary, when taxes paid by contributors have been raised dramatically, and when there are real doubts that the system will be able to meet future obligations without still further increases.

In the case of postsecondary students, OE says, and we concur, that its programs have the capability of serving the vast majority of those persons who are now, and would be in the future, served by student benefits. Further, we believe OE could provide this service at less cost and with greater equity. There would be some former postsecondary student beneficiaries who would get less money. But since so many student beneficiaries are receiving excess benefits, we do not believe a dollar-for-dollar replacement of benefits by OE is necessary.

It is the purpose of Government to provide the best service at the lowest possible cost. Discontinuance of Social Security's student benefits to postsecondary students--thus requiring those who would have been served by that program to look to OE for most of their supplementary education aid--would serve that purpose well. Specifically, discontinuance could:

1. Save the trust funds $1.390 billion.

2. Save taxpayers--after subtracting the new expense to the Office of Education--about $1.102 billion.

3. Provide education aid on a far more equitable basis to those persons who need such assistance.

4. Provide more assurance that the insurance system into which 9 of every 10 American workers pay will be capable of providing that service for which it was created, now and in the future.

We are not, for two reasons, recommending discontinuance of student benefits for high school students. First, we lack reliable data to show whether or not high school students need student benefits to complete their secondary education. Second, were need demonstrated, there are no OE aid programs available to meet this need. However, since

it is reasonable to expect that most high school students live with their parents who provide the students' food, shelter, clothing, and transportation, we believe the students' benefits should be paid to the parents rather than to the students.

II. RECOMMENDATIONS

To the Congress:

Enact an amendment to the Social Security Act which will discontinue student benefits for postsecondary students and take the necessary steps to assure OE will have sufficient financial resources to meet any increased demand for aid arising from discontinuance of these benefits.

To the Secretary of Health, Education, and Welfare:

1. Direct the Commissioner of Social Security to pay student benefits to the parents of high school students rather than to the students themselves.

2. Direct the Commissioners of Education and Social Security to revise the Social Security/Basic Grant computer matching procedure to verify Social Security benefits for all Basic Grant applications (as described in the two-step alternative on page 24).

III. AGENCY POSITION AND GAO REPLY

HEW officials met with us and gave their reactions to a draft of this report and its recommendations. At that time our recommendation on the matching procedure was the same as that offered in this final report--but our recommendation concerning program discontinuance would have applied to all student beneficiaries.

HEW officials said they supported discontinuing student benefits for postsecondary students, but could not support discontinuing student benefits for high school students. They pointed out that, whereas postsecondary students would have various OE aid programs available to help meet costs of schooling, there is no equivalent Federal agency to meet the needs of high school students who might be adversely affected by loss of student benefits. HEW officials said they believed that in many cases discontinuance of student benefits for high school students might mean these students being forced, because of a lack of resources, to drop out of high school.

After considering these comments, we deleted our recommendation to discontinue student benefits to high school students for the reasons stated on page 33.

HEW officials agreed to consider our recommendation that, in the case of high school students, Social Security pay the student benefit to the parents rather than the students.

Concerning our recommendation of a two-step alternative Social Security/Basic Grant computer matching procedure, HEW agreed and is taking action to implement the first step in early 1980. This would be effective for students' applications for grants during school year 1980-81. HEW is studying the feasibility of implementing the second step. If second-step savings are to be realized for the 1980-81 school year, the feasibility study must be completed before that year begins.

APPENDIX A

SCOPE OF REVIEW

We made our review at the Social Security Administration headquarters in Baltimore, Maryland; at the Office of Education and Veterans Administration headquarters in Washington, D.C.; and at the Bureau of the Census, Department of Commerce, Washington, D.C.

Using zip codes, we selected a random sample of 749 Social Security student beneficiaries during fiscal year 1977 in the Los Angeles County, California, and upstate New York areas. Students were selected to determine whether they were attending school full time as required. This was done through review of records and discussion with school officials. Also, we visited 119 postsecondary public and private schools to determine what financial aid 466 of these students may have been receiving.

To measure the extent of student beneficiary participation in other aid programs, we made various comparisons of Social Security students during the 1976-77 school year with students in the Basic Educational Opportunity Grant program, the Guaranteed Student Loan program, and the Veterans Administration dependents' educational assistance program.

The Bureau of the Census provided us total money income data for Social Security students and their parents for 1975, 1976, and 1977. The Bureau collected these data in its spring 1976 Survey of Income and Education and its 1978 Current Population Survey.

We reviewed and discussed with Congressional Budget Office analysts their May 1977 report on Social Security students. The Congressional Budget Office also provided data on its analysis of the relationship of parental income and eligibility for several Office of Education grant, work, and loan programs.

We discussed the Social Security student benefit program with officials from the Department of Health, Education, and Welfare, the Social Security Administration, and the Office of Education.

We also testified at congressional hearings held February 8, 1979, before the Subcommittee on Oversight, House Committee on Ways and Means.

APPENDIX B

SOCIAL SECURITY STUDENT BENEFICIARIES

BY BASIS OF ENTITLEMENT

December	Total Number	Percent of Students Who Were Children Of: Retired Workers	Deceased Workers	Disabled Workers
1965	205,677	16.6	75.4	8.0
1966	375,873	17.9	71.0	11.1
1967	427,267	16.9	71.0	12.1
1968	474,056	16.8	70.2	13.0
1969	498,015	16.3	70.3	13.4
1970	537,170	16.8	69.2	14.0
1971	583,374	16.7	68.6	14.7
1972	634,481	16.6	67.3	16.1
1973	651,540	17.5	66.6	15.9
1974	679,101	17.4	65.2	17.4
1975	774,261	17.2	63.8	19.0
1976	834,718	18.6	61.4	20.0
1977	869,184	18.1	61.5	20.4
1978	817,506	18.6	60.8	20.6

APPENDIX C

GAO ESTIMATE OF THE NUMBER OF STUDENTS CLASSIFIED AS DEPENDENTS OF EARLY RETIREMENT BENEFICIARIES

Month of December	Early Retirees	Early Retirees As a Percent of All Retirees	Student Dependents of Retirees	GAO Estimate of Student Dependents of Early Retirees
1965	3,519,198	31.7	34,152	10,800
1966	4,006,688	34.4	67,079	23,100
1967	4,466,414	37.2	72,087	26,800
1968	4,967,975	40.0	79,643	31,900
1969	5,499,033	42.9	81,340	34,900
1970	6,066,880	45.4	89,994	40,900
1971	6,677,167	47.9	97,624	46,800
1972	7,319,973	50.3	105,425	53,000
1973	8,020,583	52.2	113,918	59,500
1974	8,695,732	54.5	117,993	64,300
1975	9,368,692	56.5	133,189	75,300
1976	9,862,118	57.5	155,059	89,200
1977	10,567,896	59.3	157,583	93,400
1978	11,137,920	60.7	151,957	92,200

Note: The GAO estimate is probably low because we assumed that early retirees had the same number of student beneficiaries as older retirees.

40 SCHOOLS WITH HIGHEST AVERAGE COST FOR SOCIAL SECURITY/ BASIC GRANT STUDENT BENEFICIARIES

School Name	Number Students Attending	Average Student Cost	Total Social Security Benefits	Total Basic Grant Benefits	Total Combined Benefits	Total Student Cost	Benefits Exceed Costs
Massachusetts Institute of Technology	70	$7,275	$108,800	$63,700	$172,600	$509,300	No
Dartmouth College	55	7,029	88,900	54,000	142,900	386,600	No
Princeton University	81	7,003	137,100	80,900	218,100	567,300	No
Yale University	82	6,947	128,600	86,900	215,500	569,700	No
Stanford University	68	6,845	103,300	69,200	172,600	465,500	No
Tufts University	65	6,644	100,400	61,000	161,400	431,900	No
California Institute of the Arts	12	6,625	10,600	16,200	26,900	79,500	No
Wesleyan University	41	6,568	70,600	37,300	107,900	269,300	No
Rensselaer Polytechnic Institute	59	6,440	115,200	42,400	157,700	380,000	No
Skidmore College	19	6,405	36,700	21,000	57,700	121,700	No
Swarthmore College	15	6,373	17,500	11,900	29,400	95,600	No
University of the Pacific	84	6,364	124,200	86,900	211,200	534,600	No
Union College	22	6,359	44,100	22,800	67,000	139,900	No
Claremont Men's College	13	6,284	21,800	16,200	38,100	81,700	No
Columbia University	111	6,232	164,900	103,300	268,200	691,800	No
Bard College	19	6,215	42,100	21,100	63,200	118,100	No
Clark University	18	6,211	31,200	18,900	50,200	111,800	No
Syracuse University	107	6,189	153,900	100,800	254,700	662,300	No
Trinity College	13	6,176	13,200	13,000	26,200	80,300	No
Wellesley College	33	6,169	54,800	30,600	85,500	203,600	No
Manhattanville College	25	6,132	42,900	27,300	70,300	153,300	No
Pomona College	15	6,113	26,100	14,000	40,200	91,700	No
Harvey Mudd College	18	6,083	25,100	16,400	41,600	109,500	No
University of Rochester	62	6,075	105,900	54,100	106,000	376,700	No
Bowdoin College	18	6,044	27,600	19,300	47,000	108,800	No
Hobart and William Smith Colleges	24	6,012	32,700	25,800	58,500	144,300	No
Hartwick College	35	5,977	63,700	29,800	93,600	209,200	No
Oberlin College	47	5,974	82,400	52,700	135,200	280,800	No
Cornell University	218	5,963	361,600	214,200	575,800	1,300,000	No
Hamilton College	21	5,919	43,800	21,100	65,000	124,300	No
U.S. International University	18	5,900	30,300	18,300	48,600	106,200	No
Wells College	16	5,875	16,700	18,300	35,100	94,000	No
Connecticut College	29	5,858	36,800	31,400	68,300	169,900	No
Middlebury College	12	5,858	23,500	10,600	34,200	70,300	No
Scripps College	15	5,840	22,300	12,400	34,700	87,600	No
Rhode Island School of Design	15	5,820	25,600	17,200	42,800	87,300	No
Occidental College	35	5,814	48,000	37,600	85,600	203,500	No
Simmons College	32	5,759	54,000	35,000	89,000	184,300	No
Georgetown University	53	5,754	85,900	52,600	138,600	305,000	No
Smith College	42	5,754	75,100	35,100	110,300	241,700	No

Note: Schools with 10 or fewer student dependents were not considered for inclusion in this listing.

APPENDIX D

40 SCHOOLS WITH LOWEST AVERAGE COST FOR SOCIAL SECURITY/ BASIC GRANT STUDENT BENEFICIARIES

School Name	Number Students Attending	Average Student Cost	Total Social Security Benefits	Total Basic Grant Benefits	Total Combined Benefits	Total Student Cost	Benefits Exceed Costs
Vance-Granville Community College	33	$1,196	$ 33,400	$ 16,900	$ 50,400	$ 39,500	Yes
Holmes Junior College	119	1,375	136,800	80,400	217,200	163,700	Yes
Compton Community College	175	1,395	242,400	116,600	359,100	244,200	Yes
Los Angeles Pierce College	110	1,432	174,700	72,000	246,800	157,600	Yes
East Central Junior College	82	1,440	79,600	55,000	134,600	118,100	Yes
North Georgia Technical and Vocational School	32	1,450	42,800	18,900	61,800	46,400	Yes
Bemidji Area Vocational-Technical Institute	29	1,462	36,600	20,900	57,600	42,400	Yes
Wadena Area Vocational-Technical Institute	35	1,482	43,300	23,200	66,500	51,900	Yes
Sacramento City College	211	1,493	265,900	128,600	394,800	315,100	Yes
Imperial Valley College	159	1,500	165,400	112,600	278,100	238,500	Yes
Los Angeles Trade Technical College	226	1,501	308,000	150,100	458,200	339,400	Yes
Mount San Jacinto College	58	1,501	75,700	37,300	113,100	87,100	Yes
Hawaii Community College	65	1,501	88,800	42,600	131,400	97,600	Yes
Cosumnes River College	58	1,501	92,700	39,200	131,900	87,100	Yes
Chaffey College	142	1,502	225,400	94,700	320,200	213,300	Yes
Laney College	87	1,502	113,800	44,600	158,500	130,700	Yes
Solano Community College	61	1,503	84,700	40,600	125,300	91,700	Yes
Yuba Community College	90	1,503	114,400	60,400	174,800	135,300	Yes
Los Medanos College	32	1,503	37,800	19,800	57,600	48,100	Yes
Diablo Valley College	64	1,504	112,700	41,300	154,000	96,300	Yes
Gavilan Joint Community College	35	1,505	38,800	23,400	62,300	52,700	Yes
Orange Coast College	93	1,505	148,000	56,300	204,300	140,000	Yes
West Los Angeles College	96	1,505	148,100	68,800	217,000	144,500	Yes
College of Alameda	166	1,506	238,500	119,400	358,000	250,000	Yes
Haskell Indian Junior College	73	1,506	79,600	19,500	99,100	110,000	No
El Camino College	214	1,507	330,200	135,600	465,800	322,700	Yes
Staples Area Vocational-Technical Institute	38	1,507	47,100	28,000	75,100	57,300	Yes
Los Angeles City College	311	1,508	433,300	118,900	552,200	469,200	Yes
Los Angeles Southwest College	114	1,508	143,200	74,100	217,300	172,000	Yes
Merritt College	134	1,509	196,500	94,400	291,000	202,300	Yes
City College of San Francisco	256	1,510	332,500	180,700	513,300	386,800	Yes
Modesto Junior College	126	1,510	180,800	85,500	266,400	190,300	Yes
Santa Ana College	84	1,511	121,600	54,500	176,200	127,000	Yes
Southwestern College	145	1,511	188,200	101,400	289,600	219,100	Yes
State Community College	70	1,511	96,200	50,600	146,800	105,800	Yes
Fullerton Junior College	97	1,512	167,100	63,800	230,900	146,700	Yes
Hartnell Community College	50	1,512	53,000	35,100	88,100	75,600	Yes
Antelope Valley College	53	1,513	80,100	37,000	117,100	80,200	Yes
Chabot College	94	1,513	133,400	60,900	194,400	142,300	Yes
Riverside City College	151	1,513	235,600	102,700	338,300	228,500	Yes

Note: Schools with 10 or fewer student dependents were not considered for inclusion in this listing.

APPENDIX D

25 SCHOOLS WITH THE GREATEST NUMBER OF SOCIAL SECURITY/BASIC GRANT STUDENT BENEFICIARIES ATTENDING

School Name	Type of School	Number Students Attending	Average Student Cost	Total Social Security Benefits	Total Basic Grant Benefits	Total Combined Benefits	Total Student Cost	Benefits Exceed Costs
City University of New York	Public	7,127	$2,343	$11,042,500	$6,869,100	$17,911,700	$16,703,100	Yes
State University of New York	Public	4,225	2,692	6,879,100	4,077,400	10,956,500	11,374,100	No
University of Puerto Rico	Public	2,831	1,702	2,419,400	2,362,600	4,782,100	4,819,200	No
Pennsylvania State University	Public	1,847	2,629	3,217,200	1,680,000	4,897,200	4,855,900	Yes
Inter-American Univ. Puerto Rico	Private	1,408	2,538	1,125,700	1,734,900	2,860,700	3,574,500	No
Jackson State University	Public	1,159	2,007	1,180,400	1,106,800	2,287,300	2,326,300	No
City College-Chicago	Public	1,097	1,701	1,675,900	788,200	2,464,200	1,866,800	Yes
Southern University A & M College	Public	960	1,929	1,077,100	855,400	1,932,600	1,852,400	Yes
Miami-Dade Junior College	Public	919	1,856	1,283,600	753,300	2,037,000	1,706,400	Yes
Ohio State University	Public	873	2,487	1,460,100	813,100	2,273,300	2,171,500	Yes
St. Louis District Junior College	Public	845	1,978	1,323,300	706,200	2,029,600	1,671,500	Yes
University of Kentucky	Public	808	1,946	1,217,500	664,600	1,882,100	1,572,500	Yes
Michigan State University	Public	790	2,550	1,326,700	756,800	2,083,600	2,014,800	Yes
Rutgers State University of New Jersey	Public	758	2,717	1,256,100	740,000	1,996,200	2,060,000	No
San Antonio Union Junior College	Public	714	1,650	862,500	520,300	1,382,900	1,178,200	Yes
University of Pittsburgh	Public	695	2,947	1,209,100	633,700	1,842,900	2,048,800	No
North Carolina A & T State University	Public	662	2,174	802,600	643,700	1,446,400	1,439,600	Yes
Grambling State University	Public	626	1,962	710,400	574,900	1,285,400	1,228,600	Yes
Wayne State University	Public	622	2,446	1,024,600	620,600	1,645,300	1,521,700	Yes
Mississippi Valley State College	Public	616	1,934	563,800	574,700	1,138,500	1,191,700	No
Fund. Ed. AG Mendez, Puerto Rico	Private	604	2,478	484,100	735,500	1,219,700	1,497,100	No
Cuyahoga Community College	Public	602	1,834	955,400	487,000	1,442,500	1,104,300	Yes
Alabama State University	Public	600	2,032	655,600	570,100	1,225,700	1,219,300	Yes
Texas Southern University	Public	599	2,071	809,600	580,200	1,389,800	1,240,900	Yes
North Carolina Central University	Public	593	2,128	716,500	568,400	1,284,900	1,262,300	Yes

APPENDIX D

APPENDIX E

OFFICE OF EDUCATION SURVEY OF SOCIAL SECURITY ADMINISTRATION (SSA) STUDENTS AND OTHER STUDENTS' SOURCES OF FUNDS TO ATTEND COLLEGE IN FALL OF 1976

Source of Funds	Total Percent of Students		Percent of Students by Amount of Funds					
			$1 - $999		$1,000 - $1,999		Over $1,999	
	SSA	Other	SSA	Other	SSA	Other	SSA	Other
Parents/Family	67	72	42	26	11	13	14	33
Office of Education								
Basic Grant	35	19	21	12	14	7	-	-
Supplemental Grant	11	5	9	4	2	1	-	-
Work-Study	17	11	15	10	1	1	-	-
Guaranteed Student Loans	10	8	4	3	4	4	1	1
National Direct Student Loans	12	8	9	5	3	3	-	-
Other Grants								
State	23	14	16	10	6	3	1	1
College	18	13	11	8	4	3	3	2
Private	11	7	9	6	2	1	1	-
Other Loans								
College	6	4	5	2	1	1	-	-
Other	5	5	2	2	1	2	1	1
Work								
Part time	57	49	50	43	5	5	1	1
Full time	7	6	5	4	1	1	1	-

Notes: 1. The Office of Education survey was based on responses of 13,508 Social Security student beneficiaries and 242,583 other students who were first-time, full-time freshmen in the fall of 1976.

2. Percent of students by amount of funds may not add to total percent of students because of rounding.

APPENDIX F

SOCIAL SECURITY STUDENT BENEFICIARIES RECEIVING EDUCATIONAL ASSISTANCE IN SCHOOL YEAR 1976-77

Type of School	Social Security Only	Other Sources of Aid 1	2	3	4	5+	Total Students
Four-year college	68	35	40	30	21	10	204
Two-year college	153	37	27	12	3	1	233
Vocational or Technical	13	6	7	3	0	0	29
Total	234	78	74	45	24	11	466
Percent	50	17	16	10	5	2	100

Note: The above data represent the results of a GAO review of the financial aid files of 466 cases of Social Security students receiving educational aid from all sources, including Social Security student benefits, and all Federal, State, and private assistance known to the financial aid officer at the school the students were attending. The data represent a sample of Social Security students attending school in upstate New York and Los Angeles County, California.

APPENDIX G

REASONS SOCIAL SECURITY STUDENT BENEFICIARIES WERE INELIGIBLE FOR A BASIC GRANT IN SCHOOL YEAR 1976-77

Student Beneficiaries Considered by the Office of Education as:			
Parental Dependent	Percent	Parental Independent	Percent
Parents' income too high	62	Students' income too high	93
Parents' assets too high	26	Students' assets too high	6
Students' assets too high	5	No one reason	1
No one reason	7		
Total	100	Total	100

Notes: 1. The above percentages are based on a GAO analysis of two samples (dependents and independents) of Social Security students determined ineligible for a Basic Grant by the Office of Education.

2. Income includes earnings, nontaxable items, and Veterans Educational Benefits.

3. Assets include home equity, other real estate, stocks, bonds, savings accounts, and business assets.

OFFICE OF EDUCATION

PROGRAM DESCRIPTIONS AND ELIGIBILITY REQUIREMENTS

1. Basic Educational Opportunity Grant program:

   Foundation for all Federal postsecondary student assistance; provides aid directly to undergraduate postsecondary students at eligible institutions; pays when fully funded $1,800 minus the family contribution, or 1/2 of the cost of instruction, whichever is less. All students are eligible, subject to the family contribution.

2. Supplemental Educational Opportunity Grant program:

   Program provides aid to qualified financially needy undergraduate postsecondary students at eligible institutions of from $200 to $1,500, or up to 1/2 of the total financial aid provided the student through the institution. Program is primarily for students with "exceptional financial need."

3. College Work-Study program:

   Program provides part-time employment to students as a means of financing their postsecondary educations. Federal funds provide 80 percent of the student's wages with 20 percent paid by the employer. Program is primarily for students with "greatest financial need."

4. National Direct Student Loan program:

   Program provides long-term low-interest loans to students to enable them to pursue postsecondary educations. Program is primarily for students with financial need not met by other sources.

5. Guaranteed Student Loan program:

   Program provides for private loans to students with guarantees by the Federal Government for default. All postsecondary students attending eligible institutions qualify for loans.

6. State Student Incentive Grant program:

   Program provides Federal and State funds (50-50 basis) to encourage States to establish or expand student aid programs. Program is primarily for students with "substantial financial need."

(105033)

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